

Message Text

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SUBJECT: EXIM: LETTER FROM CEMOVIC TO MOORE

1. FOLLOWING IS TEXT OF LETTER, DATED APRIL 11, FROM FIN-
ANCE SECRETARY CEMOVIC TO EXIM CHAIRMAN MOORE. LETTER WAS
DELIVERED TO EXIM WITHOUT COMMENT LATE ON APRIL 18 BY YUGO-
SLAV EMBASSY ACTING ECONOMIC COUNSELOR KULISIC.

2. BEGIN TEXT. DEAR MR. PRESIDENT, THANK YOU FOR YOUR
LETTER OF FEBRUARY 10, 1978, TOGETHER WITH THE ENCLOSED
DRAFT "MEMORANDUM OF UNDERSTANDING" WHICH INCLUDES THE PRO-
POSALS OF EXPORT IMPORT BANK OF THE UNITED STATES REGARDING
THE PRINCIPLES OF FUTURE CREDIT COOPERATION BETWEEN THE BANK
AND ITS PARTNERS IN YUGOSLAVIA.

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FIRST OF ALL, I WOULD LIKE TO REITERATE THAT THE YUGOSLAV
GOVERNMENT HIGHLY APPRECIATES THE COOPERATION OF OUR ORGAN-
IZATIONS OF ASSOCIATED LABOR AND COMMERCIAL BANKS WITH EX-
PORT IMPORT BANK OF THE UNITED STATES. OUR ECONOMY IS
INTERESTED TO CONTINUE ACQUIRING IN THE FUTURE, UNDER COMP-
ETITIVE CONDITIONS, EQUIPMENT AND TECHNOLOGY IN THE USA.
WITHIN THE FRAMEWORK OF ITS COMPETENCES, THE YUGOSLAV

GOVERNMENT UNDERTAKES THE NECESSARY MEASURES IN ORDER TO
CREATE APPROPRIATE CONDITIONS FOR THIS.
WE CONSIDER YOUR IDEAS AND PROPOSALS IN THE ABOVE MENTIONED

"MEMORANDUM OF UNDERSTANDING" AS AN EXPRESSION OF YOUR
EFFORTS TO BASE OUR FUTURE CREDIT COOPERATION ON NOVEL,
MUTUALLY ACCEPTED CRITERIA.

AS I STUDIED YOUR CONCRETE PROPOSALS I REALIZED THAT SOME
OF THE SUGGESTED SOLUTIONS DID NOT SUFFICIENTLY TAKE INTO
ACCOUNT THE EXISTING REGULATIONS OF THE LAW ON FOREIGN
EXCHANGE OPERATIONS AND FOREIGN CREDIT RELATIONS IN YUGO-
SLAVIA.

AFTER COMPREHENSIVE DISCUSSIONS HELD WITH THE CONCERNED
YUGOSLAV AUTHORITIES, I CAN INFORM YOU OF THE FOLLOWING:

(1) THE REQUEST UNDER ITEM 3 OF THE "MEMORANDUM OF UNDER-
STANDING" REGARDING A GUARANTEE OF AN INDIVIDUAL YUGOSLAV
COMMERCIAL BANK FOR CREDITS UP TO MILLION DOLLARS, AS WELL
AS REGARDING A "JOINT AND SEVERAL GUARANTEE" OF YUGOSLAV
BANKS FOR EVERY CREDIT ABOVE ONE MILLION DOLLARS, IS NOT
ACCEPTABLE BECAUSE THE YUGOSLAV GOVERNMENT AND ITS ORGANS
SIMPLY DO NOT DISPOSE OF THE AUTHORITY OF COMMITTING "EX
ANTE" THE ORGANIZATIONS OF ASSOCIATED LABOR AND COMMERCIAL
BANKS TO ISSUE "JOINT AND SEVERAL GUARANTEES" IN THEIR
CREDIT TRANSACTIONS WITH FOREIGN COUNTRIES.

AT THE SAME TIME, I WISH TO EXPLAIN THAT THIS ALTERNATIVE
IS NOT INCOMPATIBLE WITH THE POSITIVE LEGISLATION BECAUSE
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THE LATTER DOES NOT EXCLUDE THE POSSIBILITY THAT ORGAN-
IZATIONS OF ASSOCIATED LABOR AND COMMERCIAL BANKS, AS A
RESULT OF THEIR OWN CONSIDERATION AND DECISION, ENTER INTO
SUCH ARRANGEMENTS WITH FOREIGN PARTNERS WHICH DO PROVIDE
FOR THE ISSUING OF "JOINT AND SEVERAL GUARANTEES". THIS
IS TO SAY THAT THE ISSUING OF INDIVIDUAL OR "JOINT AND
SEVERAL" GUARANTEES CAN REPRESENT A SUBJECT-MATTER OF
SPECIFIC AGREEMENTS BETWEEN EXPORT IMPORT BANK OF THE
UNITED STATES AND THE CORRESPONDING YUGOSLAV PARTNERS IN
EACH PARTICULAR CASE.

(2) THE REQUEST UNDER ITEM 4 OF THE "MEMORANDUM OF UNDER-
STANDING" REGARDING AN INDIVIDUAL GUARANTEES OF THE
NATIONAL BANK OF YUGOSLAVIA FOR TRANSFER AVAILABILITY FOR
EVERY CREDIT EXCEEDING THE AMOUNT OF US\$5 MILLION DOES NOT
REPRESENT THE MOST APPROPRIATE SOLUTION. WE CONSIDER THAT
IT IS NEITHER NECESSARY NOR PRACTICAL TO ISSUE SUCH A DOCU-
MENT FOR EVERY SINGLE OPERATION. WE DO CONSIDER, HOWEVER,
THAT IT WOULD BE APPROPRIATE AND MORE PRACTICAL THAT THE
NATIONAL BANK OF YUGOSLAVIA, IN THE FORM OF A FRAMEWORK
LETTER, AS PER THE DRAFT ENCLOSED HERewith, PROVIDES THE
EXPORT IMPORT BANK WITH SUCH AN ESSENTIAL CONFIRMATION.
IT IS IN THE SPIRIT OF COOPERATION THAT I COMMUNICATE TO

YOU THE VIEWS EXPRESSED ABOVE, WITH THE HOPE THAT THEY WILL
CONTRIBUTE TO CLARIFY SOME OF THE REMAINING MISUNDERSTAND-
INGS AS WELL AS TO FIND AN EARLY SOLUTION TO THE PENDING
ISSUES. THIS WOULD INDEED PROMOTE THE CONTINUATION AND

EXPANSION OF THE FRUITFUL COOPERATION BETWEEN OUR COUN-
TRIES.

HOPING TO HEAR FROM YOU SOON, I REMAIN, DEAR MR. PRESIDENT,
SINCERELY YOURS, MOMCILO CEMOVIC. END TEXT.

BEGIN TEXT OF ENCLOSURE, LABELED "DRAFT", WITH "NATIONAL
BANK OF YUGOSLAVIA, BEOGRAD" AT TOP. EXPORT IMPORT BANK
OF THE U.S., WASHINGTON, D.C.

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DEAR SIRs, WITH RESPECT TO THE CURRENT CORRESPONDENCE
BETWEEN THE FEDERAL SECRETARIAT FOR FINANCE AND EXPORT
IMPORT BANK OF THE U.S. PERTAINING TO THE ARRANGEMENTS
FOR FUTURE COOPERATION BETWEEN YOUR BANK AND THE CORRES-
PONDING PARTNERS IN YUGOSLAVIA (ORGANIZATIONS OF ASSOCI-
ATED LABOR AND AUTHORIZED COMMERCIAL BANKS) WE WISH TO
CONFIRM THE FOLLOWING:

THE EXISTING LEGAL REGULATIONS IN THE SOCIALIST FEDERATIVE
REPUBLIC OF YUGOSLAVIA ASSURE THE AVAILABILITY OF FOREIGN
EXCHANGE TRANSFER FOR SERVICING ALL THE LIABILITIES OF
YUGOSLAV LEGAL PERSONS WITH RESPECT TO FOREIGN COUNTRIES,
INCLUDING SERVICING OF FOREIGN EXCHANGE COMMITMENTS
COVERED WITH GUARANTEES, SUPERGUARANTEES AND OTHER FORMS
OF WARRANTY BY THE YUGOSLAV BANKS AUTHORIZED TO PERFORM
BUSINESS WITH FOREIGN COUNTRIES.

THIS PRACTICALLY MEANS THAT SUFFICIENT AMOUNT OF US DOLL-
ARS WILL BE MADE AVAILABLE TO SERVICE PAYMENTS WHEN DUE OF
ALL AMOUNTS OWING BY THE YUGOSLAV BORROWER OR BORROWERS
(INCLUDING COMMITMENTS WITH GUARANTEES, SUPERGUARANTEES
AND OTHER FORMS OF WARRANTY) TO THE LENDER OR LENDERS IN
CONFORMITY WITH THEIR AGREEMENTS AND CONTRACTS. FOR THE
NATIONAL BANK OF YUGOSLAVIA. END TEXT OF ENCLOSURE. CHRISTOPHER

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